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UNITED NATIONS PENSION SYSTEM

Report of the Fifth Committee

Rapporteur: Mr. Larbi DJACTA (Algeria)

I. INTRODUCTION

1. At its 3rd plenary meeting, on 23 September 1994, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its forty-ninth session the item entitled "United Nations pension system" and to allocate it to the Fifth Committee.

2. The Fifth Committee considered the item at its 17th, 21st, 23rd, 24th and 31st meetings, on 11, 21, 23 and 28 November and 9 December 1994. Comments made in the course of the Committee's discussion of the item are reflected in the relevant summary records (A/C.5/49/SR.17, 21, 23, 24 and 31).

3. For its consideration of the item, the Committee had before it the following documents:

(a) Report of the United Nations Joint Staff Pension Board for 1994; 1/

(b) Report of the Advisory Committee on Administrative and Budgetary Questions (A/49/576);

(c) Report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund (A/C.5/49/3);

1/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 9 (A/49/9).

(d) Statement submitted by the Secretary-General (A/C.5/49/7) on the administrative and financial implications of the decisions and recommendations contained in the report of the International Civil Service Commission for 1994. 2/

4. At the 17th meeting, on 11 November, the Chairman of the United Nations Joint Staff Pension Board introduced the report of the Board and the representative of the Secretary-General for the investments of the Fund introduced the report of the Secretary-General on the investments of the Fund (see A/C.5/49/SR.17).

II. CONSIDERATION OF DRAFT RESOLUTION A/C.5/49/L.6

5. At the 31st meeting, on 9 December, the representative of Portugal introduced a draft resolution entitled "United Nations pension system" (A/C.5/49/L.6), submitted by the Chairman on the basis of informal consultations. The representative of Chile made a statement.

6. At the same meeting, the Committee adopted draft resolution A/C.5/49/L.6 without a vote (see para. 7).

III. RECOMMENDATION OF THE FIFTH COMMITTEE

7. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

United Nations pension system

The General Assembly,

Recalling its resolutions 45/242 of 21 December 1990, 46/192 of 20 December 1991, 47/203 of 22 December 1992 and 48/224 and 48/225 of 23 December 1993,

Having considered the report of the United Nations Joint Staff Pension Board for 1994 to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund, 3/ chapter III.A, of the report of the International Civil Service Commission for the year 1994, 4/ the report of

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2/ Ibid., Supplement No. 30 (A/49/30).

3/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 9 (A/49/9).

4/ Ibid., Supplement No. 30 (A/49/30).

the Secretary-General on the investments of the Fund 5/ and the related report of the Advisory Committee on Administrative and Budgetary Questions, 6/

I

ACTUARIAL MATTERS

Recalling section II of its resolution 47/203 and section II of its resolution 48/225,

1. Welcomes with appreciation the changes made by the United Nations Joint Staff Pension Board in the presentation of the results of the valuation of the United Nations Joint Staff Pension Fund as at 31 December 1993, in response to requests made by the Panel of External Auditors and pursuant to discussions with the Board of Auditors, so as to provide (a) the valuation results in dollar terms, as well as in the form of percentages of pensionable remuneration, (b) additional disclosures regarding the values of the assets and liabilities, and (c) statements by the Consulting Actuary and the Committee of Actuaries regarding the sufficiency of the assets of the Fund to meet current and projected liabilities;

2. Takes note of the increase in the actuarial imbalance from 0.57 to 1.49 per cent of pensionable remuneration, reflected in the valuation of the Fund as at 31 December 1993, of the elements that contributed to the increase in the imbalance, including in particular the increase in the life expectancy of pensioners, and of the observations on the valuation results by the Consulting Actuary, the Committee of Actuaries and the United Nations Joint Staff Pension Board;

3. Takes note in particular of the opinions provided by the Consulting Actuary and the Committee of Actuaries, as reproduced in annexes IV and V, respectively, to the report of the Board, 3/ that there was no requirement, as at 31 December 1993, for deficiency payments under article 26 of the Regulations of the Fund, 7/ and that the current contribution rate of 23.7 per cent of pensionable remuneration could be maintained for funding purposes, pending a review at the time of the next valuation, as at 31 December 1995;

4. Takes note of the review by the Board of the interest rate and mortality table used to determine lump-sum commutations, and of its decisions, under article 11 of the Regulations of the Fund, (a) to retain the current 6.5 per cent interest rate, which would be reviewed again by the Standing Committee of the Board in 1995, and (b) to request the Committee of Actuaries to develop a revised unisex mortality table, based on the longevity assumptions used in the actuarial valuation of the Fund as at 31 December 1993, for the

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5/ A/C.5/49/3.

6/ A/49/576.

7/ JSPB/G.4/Rev.14.

approval of the Standing Committee, and to be implemented in determining lump-sum commutations as from 1 July 1995;

5. Approves, with effect from 1 July 1995, an increase in the maximum number of years of creditable contributory service, so that the years of contributory service in excess of 35 and performed as from 1 July 1995 shall be creditable at an accumulation rate of 1 per cent per year, subject to a maximum total accumulation rate of 70 per cent, and amends accordingly, with effect from 1 July 1995, article 28 of the Regulations of the Fund, as set out in annex I to the present resolution;

6. Concurs with the transfer agreements with the Asian Development Bank and the European Bank for Reconstruction and Development, approved by the Board under article 13 of the Regulations of the Fund, with a view to securing continuity of pension rights between the Fund and each of the banks, as set out in annex VII to the report of the Board; 3/

II

PENSIONABLE REMUNERATION

Recalling section II of its resolution 45/242, section III of its resolution 46/192 and sections IV and VI of its resolution 47/203,

Approves, with effect from 1 April 1995, amendments to article 54 of the Regulations of the United Nations Joint Staff Pension Fund, as set out in annex I to the present resolution, to include the latest scale of pensionable remuneration for staff in the Professional and higher categories, to define the pensionable remuneration of ungraded officials and of participants in the United Nations Field Service category and to include references to, and place limitations on, the extent to which merit and/or longevity step increments are deemed to be pensionable;

III

PENSION ADJUSTMENT SYSTEM

Recalling section IV of its resolution 46/192, section V of its resolution 47/203 and section I of its resolution 48/225,

1. Takes note of the reviews carried out by the United Nations Joint Staff Pension Board, described in section VI of its report, 3/ on various aspects of the pension adjustment system and of its intention to pursue additional studies at its next regular session in 1996;

2. Takes note also of the results of the first monitoring by the Board of the costs of the longer-term modification of the pension adjustment system that entered into effect on 1 April 1992, based on the actual costs during the period from 1 April 1992 to 31 March 1994, which indicated a long-term cost estimate of 0.26 per cent of pensionable remuneration, as against the earlier estimate of 0.30 per cent, and of the intention of the Board to review the matter further at its next regular session on the basis of the second assessment of the actual

costs, in the context of the valuation of the United Nations Joint Staff Pension Fund as at 31 December 1995;

3. Approves, with effect from 1 July 1995, the reduction of the "120 per cent cap" provision under the pension adjustment system, which is described in paragraph 166 of the report of the Board, 3/ to 110 per cent for participants separating from service on or after 1 July 1995, and the consequential changes in the pension adjustment system, as set out in annex II to the present resolution;

4. Approves, with effect from 1 July 1995, the application to staff in the General Service and related categories of the longer-term modification of the pension adjustment system that entered into effect on 1 April 1992, the consequential revisions in the schedule of cost-of-living differential factors and the schedule for special adjustments of small pensions under section E of the pension adjustment system, and the consequential changes in the pension adjustment system, as set out in annex II to the present resolution;

5. Takes note of the decision taken by both the Board and the International Civil Service Commission 3/, 4/ to defer until 1996 the submission to the General Assembly of recommendations on possible changes in the special index for pensioners, in the context of the comprehensive review of the pensionable remuneration and consequent pensions of the various categories of staff;

IV

ADMISSION TO MEMBERSHIP OF THE INTERNATIONAL CENTRE FOR GENETIC ENGINEERING AND BIOTECHNOLOGY

Decides to admit the International Centre for Genetic Engineering and Biotechnology to membership in the United Nations Joint Staff Pension Fund, in accordance with article 3 of the Regulations of the Fund, with effect from 1 January 1996, subject to the adoption by the Centre, before that date, of staff regulations, rules and salary scales that conform to the common system of salaries and other conditions of service;

V

ADMINISTRATIVE EXPENSES

Approves additional expenses of $390,200 (net) for the biennium 1994-1995, chargeable directly to the United Nations Joint Staff Pension Fund, for the administration of the Fund;

VI

OTHER MATTERS

1. Requests the member organizations of the United Nations Joint Staff Pension Fund, the Executive Secretary of the United Nations Administrative Tribunal and the Registrar of the Administrative Tribunal of the International

Labour Organization, in pursuance of section VI, paragraph 7, of General Assembly resolution 48/224, to inform the Fund of any pending cases that have direct or indirect implications for the Fund, to ensure that the interests of the Fund are adequately represented;

2. Notes with satisfaction that the Board of Auditors has indicated, inter alia, that the presentation of the financial statements of the Fund for the biennium 1992-1993 is consistent with a number of the United Nations System Accounting Standards, and requests that the changes recommended by the Board of Auditors in this regard be implemented at the earliest opportunity so as to bring the statements fully into line with those Standards;

3. Takes note of the action taken by the United Nations Joint Staff Pension Board regarding the recommendation of the Board of Auditors on the provision of an internal audit function, and the comments of the Advisory Committee on Administrative and Budgetary Questions thereon; 6/

4. Requests the United Nations Joint Staff Pension Board to report to the General Assembly, in the context of the revised estimates for the biennium 1994-1995 and the estimates for the biennium 1996-1997, on the arrangements made for internal audits of the Fund and the costs thereof;

5. Requests the Board to continue to review the monitoring and control procedures for payments from the Fund in order to strengthen the verification process, including those related to the payment of benefits to widows and widowers, and to report thereon to the General Assembly at its fifty-first session;

6. Takes note of the observations of the Board in section VII of its report 3/ on the continuing representations made by former participants affected by the application of the Transfer Agreements with the former Union of Soviet Socialist Republics, Ukrainian Soviet Socialist Republic and Byelorussian Soviet Socialist Republic, and of the steps taken thus far by the Board, through its Secretary, to enter into consultations with the Permanent Mission of the Russian Federation to the United Nations, as well as with the appropriate national authorities, with a view to ascertaining the extent to which the problems that had arisen with regard to the interpretation and application of the Agreements could be resolved;

7. Notes that the Fund has transferred to the Social Security Fund of the former Union of Soviet Socialist Republics the actuarial value of the pension rights accrued by individual former participants, as required under the Agreements;

8. Welcomes the establishment of a working group composed of high-ranking officials representing relevant ministries and agencies of the Russian Federation, as well as of representatives of former Fund participants, with a mandate to address the problems mentioned above;

9. Calls upon all parties concerned to continue their efforts to resolve the problems that have arisen in respect of the interpretation and application

of the three Agreements, in a manner consistent with the letter and intent of the terms of the Agreements;

10. Takes note of the decision of the Board not to propose changes at the present time in the size and composition of the Board and of its Standing Committee, but to keep the subject under review and to submit a further report on the matter to the General Assembly at its fifty-third session, in 1998;

11. Also takes note of the observations of the Board on attendance at Board sessions and on the frequency of, and attendance at, meetings of the Standing Committee, as well as the changes made in the rules of procedure of the Fund with respect to attendance at meetings of the Standing Committee;

12. Further takes note of the other matters dealt with in the report of the Board;

VII

INVESTMENTS OF THE FUND

1. Takes note of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund, 5/ and of the observations made by the United Nations Joint Staff Pension Board in its report 3/ on the investments and custodial arrangements for the assets of the Fund, and on the membership and size of the Investments Committee;

2. Welcomes any proposal on how the long-term performance of the investments of the Fund might be enhanced and reviewed in the future, taking into account the interests of the participants, the importance of the amounts involved and the established criteria of safety, profitability, liquidity and convertibility, and, in this respect, invites the Secretary-General to review the arrangements for the provision of institutional advice;

3. Requests the Secretary-General to present in future reports to the General Assembly on the investments of the Fund a fuller analysis of the performance of those investments and their significant components, including, where applicable, means of comparing performance with relevant benchmarks and other pension funds;

4. Notes with appreciation that the new custodial arrangements are expected, inter alia, to produce cost savings, and requests the Secretary-General to keep under review the costs of those arrangements, bearing in mind the custodial costs of other pension funds;

5. Notes with satisfaction that several Member States that had not previously granted tax exemptions for income from the investments of the Fund have decided to grant such exemptions, and appeals to those Member States that do not grant such exemptions to make all possible efforts to do so as soon as possible.

ANNEX I

Amendments to the Regulations of the United Nations Joint Staff Pension Fund

Article 28

Retirement benefit

Replace paragraph (b) (iii) with the following:

"(b) (iii) The next 25 years of his contributory service, by 2 per cent of his final average remuneration; and"

Add a new paragraph (b) (iv) reading:

"(b) (iv) The years of his contributory service in excess of 35 and performed as from 1 July 1995, by 1 per cent of his final average remuneration, subject to a maximum total accumulation rate of 70 per cent."

Add a new paragraph (c) (iii) reading:

"(c) (iii) The years of his contributory service in excess of 35 and performed as from 1 July 1995, by 1 per cent of his final average remuneration, subject to a maximum total accumulation rate of 70 per cent."

Article 54

Pensionable remuneration

Replace paragraph (b) with the following:

"(b) In the case of participants in the Professional and higher categories, the scale of pensionable remuneration effective 1 November 1994 shall be as set out in appendix B hereto. It shall be adjusted on the same date as the net remuneration amounts of officials in the Professional and higher categories in New York are adjusted. Such adjustment shall be by a uniform percentage equal to the weighted average percentage variation in the net remuneration amounts, as determined by the International Civil Service Commission."

Add the following text:

"(c) (i) In the case of participants who are appointed or elected as ungraded officials on or after 1 April 1995, their pensionable remuneration shall be established by the competent legislative organ which determines their other conditions of service, in accordance with the methodology recommended by the International

Civil Service Commission and endorsed by the General Assembly, and shall be subsequently adjusted in accordance with the procedure in paragraph (b) above;

"(ii) In the case of participants who are ungraded officials on 31 March 1995, their pensionable remuneration shall be maintained, without adjustment, until surpassed by the level of pensionable remuneration derived from application of the methodology referred to in subparagraph (i) above;

"(d) In the case of participants in the United Nations Field Service category, the scale of pensionable remuneration effective 1 November 1994 shall be as set out in appendix C hereto, and shall be subsequently adjusted in accordance with the procedure in paragraph (b) above;

"(e) No step increments beyond the top step of the gross pensionable salary scale or the scale of pensionable remuneration established according to the methodology approved by the General Assembly on the recommendation of the International Civil Service Commission shall be recognized for participants entering or re-entering the Fund on or after 1 January 1994. Nevertheless, any step increments awarded in conformity with the provisions of the appropriate staff regulations or rules of a member organization to a staff member in service in that organization before 1 January 1994 shall be recognized by the Fund for pension contribution and benefit calculation purposes."

Replace appendix B with the following:

APPENDIX B

PENSIONABLE REMUNERATION FOR STAFF IN THE PROFESSIONAL AND HIGHER CATEGORIES

(United States dollars)

(Effective 1 November 1994)

	Steps														
Level	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
Under-Secretary-General															
USG	156 115														
Assistant Secretary-General															
ASG	144 445														
Director															
D-2	120 837	123 738	126 471	129 310	132 212	135 180									
Principal Officer															
D-1	106 539	108 954	111 419	113 834	116 306	118 758	121 131	123 554	126 022						
Senior Officer															
P-5	94 577	96 744	98 819	100 934	103 126	105 156	107 321	109 819	112 055	114 152	116 289	118 465	120 681		
First Officer															
P-4	77 753	79 814	81 862	83 814	85 936	87 980	90 056	92 359	94 472	96 712	98 207	100 322	102 483	104 690	106 946
Second Officer															
P-3	63 710	65 688	67 600	69 424	71 306	73 163	75 143	77 511	79 063	81 154	82 688	84 513	86 402	88 333	90 308
Associate Officer															
P-2	51 492	53 137	54 695	56 366	58 034	59 556	61 214	63 160	65 001	66 665	67 956	69 274			
Assistant Officer															
P-1	40 378	41 764	42 992	44 243	45 624	46 861	48 344	50 277	51 908	53 397					

/...

Add the following new appendix C to the Regulations of the Fund:

APPENDIX C

PENSIONABLE REMUNERATION FOR STAFF IN THE UNITED NATIONS FIELD SERVICE CATEGORY

(United States dollars)

(Effective 1 November 1994)

	Steps														
Level	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
FS-7	74 691	76 772	78 853	80 936	83 016	85 099	87 179	89 262	91 341	93 424	95 377	97 585			
FS-6	61 605	62 984	64 365	65 745	67 126	68 506	69 886	71 266	72 646	74 028	75 407	76 788			
FS-5	48 702	49 971	51 240	52 509	53 780	55 048	56 317	57 586	58 857	60 124	61 394	62 663	63 933		
FS-4	39 941	41 051	42 163	43 272	44 384	45 494	46 607	47 715	48 828	49 938	51 050	52 159	53 271	54 381	55 493
FS-3	32 285	33 337	34 416	35 483	36 550	37 615	38 707	39 828	40 934	42 055	43 162	44 322	45 483	46 644	47 804
FS-2	28 329	29 247	30 164	31 084	32 000	32 930	33 889	34 835	35 794	36 750	38 667	39 624			
FS-1	25 143	25 846	26 545	27 250	28 060	28 882	29 691	30 515	31 325	32 135					

ANNEX II

Changes in the pension adjustment system

D. COST-OF-LIVING DIFFERENTIAL FACTORS

Replace paragraph 6 (b) (v) with the following text:

"(v) The applicable cost-of-living differential factor is finally derived from the following tables, the result being interpolated, when necessary, between the factors applicable to the next higher and the next lower ratio in the applicable table:

"Benefits based on separation or death in service before 1 July 1995 and other benefits derived therefrom

Ratio of midpoint net salaries	Cost-of-living differential factor (percentage)
Less than 122	0
122	3
128	7
134	12
141	17
148	22
155	28
162	34
171	40
180 or more	46

"Benefits based on separation or death in service on or after 1 July 1995 and other benefits derived therefrom

Ratio of midpoint net salaries	Cost-of-living differential factor (percentage)
Less than 105	0
105	3
110	8
116	14
122	19
128	25
134	31
141	38
148	45
155	52
163	60
171	68
180	76
189	85
198	94
208 or more	104"

E. SPECIAL ADJUSTMENT FOR SMALL PENSIONS

Replace paragraph 7 with the following text:

"7. Whenever the standard annual rate of a retirement or disability benefit under the Fund's Regulations, before any commutation, is less than the highest dollar amount in the applicable table below, the benefit shall be subject to a special adjustment as follows:

"Annual amount of pension (United States dollars)	Special adjustment (percentage)
Separations before 1 April 1993	
4 000	0
3 800	3
3 600	7
3 400	12
3 200	17
3 000	22
2 800	28
2 600	34
2 400	40
2 200 or less	46
Separations on or after 1 April 1993 up until 1 July 1995	
6 500	0
6 250	3
6 000	6
5 750	9
5 500	12
5 250	15
5 000	18
4 750	21
4 500	25
4 250	28
4 000	31
3 750	34
3 500	37
3 250	40
3 000	43
2 750 or less	46

"Annual amount of pension (United States dollars)	Special adjustment (percentage)
Separations on or after 1 July 1995	
6 500	0
6 250	3
6 000	7
5 750	12
5 500	17
5 250	22
5 000	28
4 750	34
4 500	40
4 250	52
4 000	60
3 750	68
3 500	76
3 250	85
3 000	94
2 750 or less	104"

I. PAYMENT OF THE BENEFIT

Replace paragraph 23 with the following text:

"23. Where a beneficiary resides in a country other than the United States, the determination of the amount of the periodic benefit payable in a given month is as follows:

"The dollar amount, as initially determined under subparagraph 5 (a) above and then adjusted under section H above, is converted to the local currency equivalent by using the exchange rate in effect for the month preceding the calendar quarter of that payment. The resultant amount is compared with the local currency amount, as initially determined under subparagraph 5 (b) above and then adjusted under section H above. Except as provided in paragraph 25 below, the beneficiary is entitled, until the next quarter, to the greater of the local currency amount or the local currency equivalent of the dollar amount, subject to a maximum of: (a) 120 per cent of the local currency amount with respect to benefits payable on account of separation or death in service before 1 July 1995 and other benefits derived therefrom; (b) 110 per cent of the local currency amount with respect to benefits payable on account of separation or death in service on or after 1 July 1995 and other benefits derived therefrom."